

Central Falls Detention Facility Corporation Meeting Minutes
Tuesday, May 22, 2012
Wyatt Detention Facility Training Building
935 High Street
Central Falls, RI 02863
6:00 P.M.
TDD/TTY 401-727-7450

A meeting of the Central Falls Detention Facility Corporation was held on the above date; in the Training Building at 6:00p.m.

- 1) Call to order / Roll Call – 6:07 p.m.,
Present: Director St. Pierre, Director Romanowicz, and Chairman Hartford
Absent: Director Adamo, Director Tillinghast
- 2) Public Comment
Former Mayor Thomas Lazieh commented that he is still concerned about the financial situation of the detention facility especially it's payments to Central Falls. He hopes that it is improving and that money will be forthcoming. He hopes to learn more about the final report of the Crowley commission, the forensic audit, the fiscal audit, and some of the other items on the agenda. He requested copies of any information that is available to him.

Motion to go into an abbreviated Executive Session for the purpose of meeting with Legal Counsel (Vincent Ragosta, Esq.) to discuss collective bargaining issues regarding the organization of the supervisory staff was made by Director St. Pierre; seconded by Director Romanowicz. All were in favor. Motion passed.

Upon the return to regular session, Chairman Hartford said that a motion had been made to seal the minutes of Executive Session and that motion was passed.

- 3) Approval of minutes, 4/17/12

Motion made by Director St. Pierre to approve the minutes from 4/17/12; seconded by Director Romanowicz. All were in favor. Motion passed.

- 4) New Business –

A) Fiscal '11 Audit Report

David Dilulis and Shawn Huxley of O'Connor & Drew P.C. reviewed the financial audit conducted by their firm. Mr. Dilulis commented that, since they've been on-board, there have been significant improvements in the accounting department.

Because we are a governmental entity, they are required to issue two reports. One report is regarding the financial statements and the other focuses on internal controls. For the internal control report, the firm conducted a lot of testing in regards to receipts, disbursements, and payroll.

As auditors, there are certain matters that they are required to communicate as a result of their audit. The firm used government auditing standards in conducting this audit. There are two important things to point out. First, they issued an unqualified opinion of "going concern." Next, if there were material weaknesses, significant deficiencies, other matters, the auditors would have to report that, but there were none. The internal control report is totally clean.

Mr. Dilius provided an overview of the report. He pointed out that there were no audit adjustments or disagreements with management during the course of this audit. They are not hired to find fraud. They are just testing a sample from the areas tested. However, if any fraud were suspected, they would expand the testing sample. This was not the case here.

He reviewed the financial statement pointing out a loss of about \$1.6M for the year. After concluding his review, he opened to the Board for questions. Director St. Pierre said that he would like to read and digest the information and then he will likely have questions.

Chairman Hartford asked Mr. Dilius to comment on what we were doing wrong in terms of our revenues versus our expenditures. Mr. Dilius said that in order to make the 1.2 (debt coverage ratio) to pass the covenant, we need to have an increase in revenue and a decrease in expenses of about \$1.5M. He pointed out the recurring losses.

Director St. Pierre referred to the comparison between 2010 and 2011. He pointed out that although revenues increased by \$2M in 2011, salaries alone increased by about \$1.8M. He said that to him this indicated an area where we needed to focus.

Mike Geezil, Consultant to the Board, pointed out that the average detainee population increased from 609 to 649 from 2010 to 2011. Although this increased income, it had no positive effect on the facility's financial standing. The debt ratio remained the same between the two years. He commended the accounting department because there were no audit adjustments necessary during the completion of the audit. Lastly, he pointed out that depreciation and amortization are not taken into consideration in the bond document. These are non-cash issues and the issue is really one of cash flow.

The report will be filed timely with the Bondholders before the May 31st deadline. Chairman Hartford suggested that next year, the Board should receive the report prior to the presentation so that they have the opportunity to review it.

Motion to approve the audit report was made by Director St. Pierre, seconded by Director Romanowicz. All were in favor. Motion passed.

B) Review of Crowley Commission Report Forensic Audit

Chairman Hartford said that he looked at some of the recommendations in the report. First, the commission urges the Wyatt Detention Center to conduct a forensic audit with particular focus on the years preceding 2010. Based on the testimony it has received, the commission believes that there is evidence of prior mismanagement and that the potential benefits of such audit will far out-weigh the expenses. The facility must regain a solid reputation within the correctional industry as well as with local residents if it is to move forward and grow.

Director St. Pierre pointed out that the audit will cost quite a lot of money.

Next, Chairman Hartford read "investigate the subpar work of the 2005 expansion. Proceeds from a performance bond will cover the necessary repairs." He asked if anyone could comment on the performance bond and whether it is still valid. He said that he has been advised that an insurance review is the first

step in determining how any claims would be covered. He pointed out that Ernie Almonte had given a proposal.

Attorney Lynch-Gadaleta said that, in her opinion, we should have engaged Ernie Almonte in November (2011). The Bondholders have formally said that the forensic audit should be done. The Commission has said it. All commentary related to Almonte conducting the audit, with his experience and reputation, has been positive with the exception of a comment made by Judge Flanders. She urged the Board to consider conducting the audit. She said that is going to cost money, but the money is available. She suggested that time is of the essence.

Chairman Hartford said that he is skeptical about going down a path that is going to take time, money, and energy looking backwards when we should spend our resources for going forward. He said that it is clear now that we are going to have to do some level of audit. He is not convinced that what Almonte proposed is going to get the level of results that these people are looking for. He said that he would need more information about that proposal. Since Frank (Tillinghast) and Phil (St. Pierre) were involved in these discussions, he wants to make sure that what is proposed to be done is going to give us the product that we've anticipated. Also, he doesn't agree (with Lynch-Gadaleta) that there is extra money to pay for this audit, but he recognizes that we have to expend it.

Attorney Lynch-Gadaleta commented that we can't afford not to do it. She said that Almonte went to a sub-committee meeting a while back. She asked if the Chairman wanted to arrange for Almonte to meet with the sub-committee again to better-define the engagement. Director St. Pierre said that he would be more comfortable if the engagement letter were more detailed as to what Almonte was going to do. Attorney Lynch-Gadaleta suggested that the Finance sub-committee meet with Mr. Almonte for negotiations so that the sub-committee can report back to the entire Board at the next meeting.

Mike Geezil suggested that we should have some list of potential recoveries from specific people and that we should have some idea that these people can pay before we proceed. He commented that getting a judgment against someone with no money is not an effective use of funds. He said we should have an idea of potential recovery in numerical amounts and some idea of potential expenses in numerical amounts before we agree to the audit. We should try to ensure that potential benefits outweigh costs. Second, he deferred to bond counsel, but suggested that we get the Bondholders to agree beforehand that this comes out of the reserve account so that there is no concern that the invoice will not be paid. Attorney Fracassa said that this is something that we could approach the bondholders with. He offered multiple ways of addressing it.

Chairman Hartford agreed that we need an insurance review so that we know that we can collect against the policies if wrong-doing is uncovered so we can determine if the claims can be pursued. He agreed with Attorney Lynch-Gadaleta's recommendation to defer the matter back to the Finance committee so they could meet with Ernie Almonte one more time and come back to the Board with a final recommendation at the next meeting so that we can kick off the audit.

Director St. Pierre asked if they should ask Mr. Almonte to come to the next Board meeting. Chairman Hartford said that, as long as they were prepared to make a recommendation, this was a good idea. He asked Attorney Fracassa to explore the option of obtaining the money from the reserve account to fund the audit. He said that maybe we should request that these monies not be held

against us in our default, too. Director St. Pierre expressed concern that we didn't want to incur any costs or penalties as a result of expending the monies for the audit. Attorney Fracassa understood and agreed to make this part of his communication with the Bondholders.

Next Chairman Hartford pointed out that the Commission requested that the State Department of Revenue assist in exploring the option of refinancing the bonds. He said that unless there is some state involvement in the refinancing efforts, he does not think it will be successful. He spoke to Rosemary Gallogly. Ms. Gallogly said that she was going to organize a meeting. If he is included, he would like to have Attorney Fracassa attend, too.

Chairman Hartford suggested that we should give a response to the report. Attorney Lynch-Gadaleta said that we may be better situated to respond after the next Board meeting. Chairman Hartford said that he wanted to acknowledge that we've received the report and that we would be looking at the recommendations and be prepared to respond within a couple months. Attorney Fracassa agreed to prepare a statement for the Chairman's approval and signature.

C) Report of Finance Committee/mid-year budget adjustments

Director St. Pierre reported that he met with Mike Geezil, Mr. Fair, and his staff. Discussion occurred, but at this point we are going to continue to look at ways to cut costs. It is a concern, and he feels that action needs to be taken related to expenditures. He intends to have more committee meetings to prepare a recommendation for the Board. We can not continue to lose money and not take any action.

Warden Murphy commented that we are running the facility as efficiently as possible. Internally, we are controlling all of the things that we can control. He said that he had information to offer that would shed some positive light on the situation. Director Romanowicz reminded the group that Director Adamo asked for a list of vacancies. He said that maybe we should postpone filling positions. Warden Murphy commented that we are not bringing people aboard unless Mr. Fair feels it is a critical position.

Director St. Pierre said that he suggested that we hire part-time Correctional Officers to cover overtime shifts. He said that we needed to look at alternatives. Warden Murphy said that we are running a maximum-security facility. Our Officers are peace officers. It is not a good job to have on a part-time basis. We are staffed appropriately.

D) Current Cash Report and overview of accounts update

Warden Murphy offered that we've had changes in our population. Our ADP for April was 579. For the year, it is 592. We were at 616 last week. When we end the business day today, we should be at 673. Our situation has changed to the positive. Networking with our stakeholders has paid-off and we are going to continue our strategies. The changes can be attributed to major sweeps in CT. We remain in constant communication with the Marshals.

Attorney Lynch-Gadaleta commented that the Warden was not giving himself credit. The increases that we are seeing are because of the quality of the individuals that we have here marketing the place. The Warden's reputation, as well as Mr. Fair's, is an advantage for us. Chairman Hartford concurred.

E) Youth Summer Jobs Program.

Deferred until next meeting

F) Compensation for Filing and Preparation of Board Meeting Minutes

Director St. Pierre recommended that Lori Pouliot be compensated, through a payroll stipend, for the work that she does in filing the agendas and preparing and filing the minutes for the Board. He recommended an amount of \$50/month.

Motion made by Director St. Pierre to compensate Lori Pouliot \$50/month for preparing and filing Board minutes; seconded by Director Romanowicz. All were in favor. Motion passed.

5) Old Business

No discussion of old business.

6) Reports of the CEO and/or Legal Counsel (as necessary); ADP update; ACA certificate; Update on Controller and other matters.

7) Next meeting: Tuesday, June 19, 2012 @ 6:00pm @ Wyatt Training Building

8) Executive Session pursuant to R.I. General Laws § 42-46-5 for the following purposes:

A. RIGL § 42-46-5(a)(2) and RIGL §42-46-5(a)(4) for the purpose of reviewing issues regarding FOP representation of supervisory staff and litigation concerning the Wayne Salisbury matter; Ng: Cornell; Avcorr; Property tax bill, Forensic Audit.

B. RIGL § 42-46-5(a)(3) for the purpose of receiving an operational report from the CEO

9) Adjournment